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Woolpack Hotel changes hands amid signs of increased activity in the Sydney pub market

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Buyers are returning to the Sydney pub market, with nearly \$70m million in deals having been completed or agreed in recent weeks according to a new market analysis from CB Richard Ellis.

CBRE Hotels Director Joel Fisher said historically low interest rates and attractive investment yields were rekindling buyer interest in the pubs sector after a lacklustre 2008, during which investment activity had been limited on both a local and national basis.

The increased buyer activity has been reflected in recent deals such as this week's \$3.2 million sale of the Woolpack Hotel at Redfern and the recent \$14.75 million sale of the Brewhouse Marayong.

Mr Fisher said CBRE Hotels had a further \$50 million in pub sales under agreement as buyers capitalised on lower borrowing costs which have made the sector more attractive in recent months.

Industry sources have reported that in the case of the Woolpack, the sale of the going concern hotel represented a yield of circa 11.25% while the Brewhouse Marayong was sold by the Colosimo family on a going concern yield of approximately 11.75%.

"In the current economic climate, investors perceive the hotel industry to be a defensive sector," Mr Fisher said.

"As interest rate pressures ease and pub revenues continue to improve post the 2007 introduction of smoking bans across the country, money is starting to flow back into the pub sector, which has traditionally performed well in adverse economic climates."

The Woolpack Hotel was sold on behalf of the receiver manager Quentin Olde from Taylor Woodings. The popular Redfern hotel was previously owned by brothers Simon and Dominic Usalj.

"The strong level of interest shown in the Woolpack is a positive sign for the Pub industry which has had a pretty tough run in recent months," Mr Olde said.

"Clearly there will be more sales of hotels by receivers in coming months as banks are forced to deal with the high leverage in the sector but this sale demonstrates buyers are willing to transact at similar yields to private sales when transacting with a receiver".

Mr Fisher said the hotel had changed hands after a competitive Expressions of Interest campaign that attracted significant enquiry from prospective purchasers.

The Chalmers Street property was sold to interests associated with private hotel investment company RevPar Pty Ltd.

"The property was highly sought after as it provides an ideal entry into the Sydney pub market in a location within close proximity to the CBD," Mr Fisher said.

Mr Fisher said the Woolpack was situated in an area that was set to benefit from the urban redevelopment initiatives being implemented by the Redfern-Waterloo Authority.

The hotel is situated just 150 metres from the Rabbitohs' home ground, Redfern Oval, which recently underwent a \$19 million upgrade.

The three level property features a ground floor bar, dining area and gaming room with 16 poker machines as well as two levels of accommodation.

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